RESOLUTION NO. 62-82

RESOLUTION OF THE BOARD OF SUPERVISORS OF Navajo COUNTY, ARIZONA, APPROVING A COOPERATIVE AGREEMENT WITH ONE OR MORE OTHER ARIZONA COUNTIES, EACH COUNTY EXECUTING SUCH AGREEMENT TO HAVE A POPULATION NOT IN EXCESS OF 200,000; SUCH AGREEMENT TO AUTHORIZE A PETITION TO THE ARIZONA STATE HOUSING FINANCE REVIEW BOARD REQUESTING SUCH BOARD TO PROVIDE FOR THE ISSUANCE OF BONDS AND FINANCING OF OWNER-OCCUPIED SINGLE FAMILY DWELLING UNITS; APPROVING THE GENERAL PLAN AND THE STANDARDS AND REQUIREMENTS APPLICABLE TO THE PURCHASE OF MORTGAGE LOANS WITH THE PROCEEDS OF THE SINGLE FAMILY MORTGAGE REVENUE BONDS SERIES 1982; AND APPROVING THE ISSUANCE OF SUCH BONDS.

WHEREAS, The governing bodies of two or more counties, each having populations of less than 200,000 may execute a cooperative agreement and join in a petition to the Arizona State Housing Finance Review Board requesting the issuance of bonds to provide funds to finance acquisition, construction, improvement or equipping of projects which are owner-occupied single family dwelling units to be occupied by persons of low and moderate income; and

WHEREAS, pursuant to Arizona Revised Statutes, Section 9-1151, and following (the "Act"), and pursuant to Section 103A of the Internal Revenue Code of 1954, as amended (the "Tax Act"), the amount of bonds which may be issued annually to finance owner-occupied single family dwelling units in counties having a population of less than 200,000 (the "Eligible Counties") is limited, but pursuant to the Act, by action of the various County Boards of Supervisors and execution by them of a cooperative agreement, such Counties may combine their allocations with respect to bonds for such purpose and request that the Arizona State Housing Finance Review Board exercise its powers to issue bonds to finance owner-occupied single family dwelling units located in such Counties; and

WHEREAS, the Eligible Counties propose to petition the Arizona State Housing Finance Review Board requesting the Board to issue bonds and exercise those powers granted to it pursuant to Arizona Revised Statutes Sections 9-1176 and 77, with respect to the issuance of bonds (the "Bonds") to finance residential real property for owner-occupied single family dwelling units located in each county joining in the petition (each such County joining in the petition is hereafter referred to as a "participating County"); and

WHEREAS, in accordance with the Act, the participating Counties have established Standards and Requirements applicable to the purchase of loans with the proceeds of the Bonds (the

"Standards and Requirements"), and have approved a General Plan for the Bonds and the Program to be submitted to the Arizona Housing Finance Review Board (the "General Plan") and have set forth the names of persons and firms to be retained to provide services in connection with such issue, and have requested all Eligible Counties to enter into a Cooperative Agreement and petition to the Arizona State Housing Finance Review Board requesting issuance of the Bonds and the implementation of the Program;

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors as follows:

1. A Cooperative Agreement in substantially the form attached hereto is hereby approved and the Chairman of this Board is authorized and directed to execute and deliver such Cooperative Agreement on behalf of this County.

2. The Standards and Requirements and General Plan in substantially the forms attached hereto are hereby approved for all purposes under the Act.

3. The issuance by the Arizona State Housing Finance Review Board of the Bonds in an aggregate principal amount not exceeding the amount allowed under the Cooperative Agreement is hereby requested and approved for all purposes under the Act.

4. The Chairman of this Board is hereby authorized and directed to do all such things and to execute and deliver the Cooperative Agreement and the attached petition requesting the issuance and sale of the Bonds and all such other documents on behalf of the County as may be deemed necessary or desirable to effectuate the intent of this Resolution. Each such document may contain such additions, deletions and modifications as shall be approved by the Chairman, and such execution and delivery shall constitute conclusive evidence of such approval and of this Board's approval of any departures therein from the form attached hereto.

PASSED, ADOPTED AND APPROVED this 10th day of August, 1982.

Peter J. Shumway
Chairman

ATTEST:

Diane Bessell
Clerk
Deputy

(SEAL)

PETITION TO ARIZONA STATE HOUSING FINANCE REVIEW BOARD

Each County evidenced by the signature of the Chairman of its Board of Supervisors on this petition, or a counterpart of this petition, petitions the Arizona State Housing Finance Review Board, requesting that your Honorable Board issue bonds and exercise such powers as may be granted by law with respect to owner-occupied single family dwelling units located in each petitioning County. Each petitioning County is a duly existing County of the State of Arizona having a population of less than 200,000 according to the latest United States census.

Your petitioners state:

1. The execution of this petition has been authorized by the respective Board of Supervisors of each petitioning County. A certified copy of such resolution of each petitioning County is attached to this petition, or to a counterpart of this petition.

2. Standards and Requirements applicable to the purchase of loans financed with bonds to be issued in calendar year 1982 are attached hereto.

3. A general plan for bonds sought to be issued in calendar year 1982 is also attached hereto.

4. The terms of and security for bonds to be issued in calendar year 1982 are as set forth in the general plan.

5. The persons and firms to be retained to provide services are as follows:

A. Underwriters-Rauscher Pierce Refsnes, Inc., and The Valley National Bank of Arizona;

B. Trustee- The Arizona Bank;

C. Administrator- Mortgage Guaranty Insurance Company;

D. Review Agent- Mortgage Guaranty Insurance Company;

E. Bond Counsel-Gust, Rosenfeld, Divelbess & Henderson, of Phoenix, Arizona;

F. Underwriters' Counsel-Squire, Sanders & Dempsey, of Phoenix, Arizona;

G. Trustee's Counsel- Ryley, Carlock & Ralston.

The petitioning Counties reserve the right to submit a supplement to this petition with respect to bonds which may be requested for calendar year 1983.

WHEREFORE, your petitioners request the Arizona State Housing Finance Review Board to cause its bonds to be issued and the proceeds thereof used to finance the acquisition of owner-occupied single family dwelling units within the respective petitioning Counties in accordance with the allocations provided in Section 9-1175B(3), Arizona Revised Statutes, as may be modified by the Cooperative Agreement heretofore executed by all petitioning Counties.

APACHE COUNTY

By______________________________

COCHISE COUNTY

By______________________________

COCONINO COUNTY

By______________________________

GILA COUNTY

By______________________________

GRAHAM COUNTY

By______________________________

GREENLEE COUNTY

By______________________________

MOHAVE COUNTY

By______________________________

NAVAJO COUNTY

By______________________________

PINAL COUNTY

By______________________________

SANTA CRUZ COUNTY

By______________________________

YAVAPAI COUNTY

By______________________________

YUMA COUNTY

By______________________________

Attachments:

(1) Supervisors' Resolutions
(2) Standards and Requirements
(3) General Plan
(4) Form of Cooperative Agreement

COOPERATIVE AGREEMENT

This Agreement by and between each undersigned Counties (collectively the "Counties"), acting by and through its Board of Supervisors (the "Board"),

W I T N E S S E T H:

WHEREAS, each County is a county of the State of Arizona (the "State"), having a population of less than 200,000 persons according to the latest United States decennial census; and

WHEREAS, pursuant to the provisions of the Industrial Development Plans for Municipalities and Counties Act, Title 9, Chapter 11, Section 9-1151, et seq., Arizona Revised Statutes, as amended (the "Act"), the Board of Supervisors of each County has approved the formation of and there has been formed and is existing an Industrial Development Authority of each County executing this Agreement, each such Industrial Development Authority having certain powers under the Act, including the power to issue bonds and use the proceeds thereof for certain purposes provided in the Act; and

WHEREAS, pursuant to the Act the governing body of two or more of such Counties may enter into a Cooperative Agreement petitioning the Arizona State Housing Finance Review Board to issue its bonds to provide funds to purchase mortgages to finance owner-occupied single family dwelling units to be occupied by persons of low and moderate income and to exercise such other powers granted by the Act with respect to owner-occupied single family dwelling units located in such Counties; and

WHEREAS, pursuant to the Act, and pursuant to Section 103A of the Internal Revenue Code of 1954, as amended (the "Tax Act"), the aggregate amount of bonds which may be issued annually to finance owner-occupied single family dwelling units in the Counties is limited, but pursuant to the Act and the Tax Act, by action of the governing bodies of the Counties and by the execution of a written agreement, the Counties may combine their allocations of bonds for such purpose and provide for adjustments of each County's proportionate share of the State ceiling with respect to such bonds allocated pursuant to Section 9-1175(b)(3) of the Act; and

WHEREAS, by petitioning the Arizona State Housing Finance Review Board to exercise its powers with respect to the issuance of bonds and the establishment and operation of a combined county single family mortgage purchase program, the advantages of combining allocations and economies of scale can be achieved in furtherance of the public purpose of relieving the critical shortage of housing and mortgage credit for housing within the financial means of persons and families of low and moderate income; and

WHEREAS, pursuant to § 9-1176(A), Arizona Revised Statutes, the governing body of each County executing this Agreement has heretofore approved Standards and Requirements, a General Plan and the retention of professionals and firms to act with respect to the plan;

NOW, THEREFORE, in consideration of the mutual agreements hereinafter contained, the parties hereto hereby agree as follows:

1. The Arizona State Housing Finance Review Board shall have the power to issue bonds and to exercise the powers granted in the Act with respect to the financing of real property for owner-occupied single family dwelling units located in each of the Counties and to establish and operate the Program for such purpose. Each such County agrees to execute a counterpart of the petition attached hereto and to cause such petition to be submitted to the Arizona State Housing Finance Review Board.

2. This Agreement shall be effective, within the meaning of Section 9-1156.G.2. of the Act, for the calendar years 1982 and 1983, to the extent necessary to complete the issuance of the Bonds and to administer the Program described in the General Plan.

3. Notwithstanding any provision of this Agreement to the contrary, (a) no provision hereof shall be deemed to prevent the parties hereto from extending or renewing this Agreement or from entering into a new agreement upon the expiration or termination of this Agreement, and (b) no expiration or termination of this Agreement after the issuance of the Bonds shall terminate or affect the Bonds or the Program, or the terms of or authority therefor.

4. The aggregate principal amount of Bonds which may be issued by the Arizona State Housing Finance Review Board pursuant to this Agreement shall be not in excess of the aggregate of the amounts allocable to each County executing this Agreement as provided in Section 9-1175(B)(3) of the Act for the

years 1982 and 1983, or such lesser amount as is the combined aggregate principal amount of bonds which may be issued to finance owner-occupied single family dwelling units in each such County pursuant to the Tax Act.

5. The governing body of each County shall take such further action and adopt such further proceedings as may be necessary to carry out the intention of this Agreement.

6. The respective allocations of Bond proceeds to finance owner-occupied single family dwelling units available to each County pursuant to the Act and the Tax Act, to the extent used to finance owner-occupied single family dwelling units in such respective County, in accordance with the agreements and documents for the Program to be created by the Arizona State Housing Finance Review Board, are hereby allocated for calendar year 1982 in accordance with Exhibit ___ attached hereto; provided, however, that, after a period of 6 months from the date of issuance of any Bonds, the Arizona State Housing Finance Review Board may re-allocate such respective amounts among the Counties executing this Agreement to the extent the Arizona State Housing Finance Review Board deems it impracticable or impossible to use the allocated share as shown on Exhibit "A" and such reallocation thereafter shall be deemed to be a surrender by any affected County for all purposes under the the Tax Act and an adjustment in accordance with Section 9-1175(C) of the Act. Allocations for the calendar year 1983 shall be made by the Arizona State Housing Finance Review Board in accordance with the Tax Act with the provision that, no earlier than 6 months after the issuance of any Bonds in the year 1983, the Arizona State Housing Finance Review Board shall have full power and authority to reallocate such amounts among the Counties executing this Agreement to the extent such Board deems it impracticable or impossible to originate mortgages for the full amount of any County's allocated share within the confines of such County and such reallocation or reallocations shall be deemed a surrender and readjustment by each affected County for all purposes under the Act and the Tax Act.

7. This Agreement shall not constitute a debt or indebtedness of any party hereto within the meaning of the Constitution or statutes of the State nor give rise to a pecuniary liability or charge against the general credit or taxing powers of any party.

8. This Agreement may not be amended or modified except with the written consent of all the parties hereto by an instrument in writing which specifically refers to this Agreement; and, in no event, shall be amended in a manner which would materially adversely affect the holders of any Bonds issued

as contemplated hereby or any other parties which have acted in reliance hereon.

9. If any provision of this Agreement shall be determined to be invalid or unenforceable by any court of competent jurisdiction, such determination shall not invalidate or render unenforceable any other provision hereof, and the parties agree to amend such invalid or unenforceable provision, if possible, so as to render it valid or enforceable in order to accomplish the purposes of this Agreement.

10. Due to the fact that each County executing this Agreement wishes to file the petition attached hereto at the earliest possible time, it is agreed that neither this Agreement nor said petition need be signed on the same instrument by all Counties and that the execution of a counterpart hereto or to the petition shall be deemed to be the same as the execution of this copy of this Agreement or the petition. This Agreement shall become effective when executed by two or more Counties but such execution shall not bar any other County from executing this Agreement at a later date. Failure of a County to execute this Agreement will not render this Agreement invalid with regard to the Participating Counties.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the first day set opposite the signatures of each County's respective officers.

DATE: APACHE COUNTY, ARIZONA

______________________ By______________________

Chairman, Board of Supervisors

ATTEST: ______________________

Clerk

DATE: COCHISE COUNTY, ARIZONA

______________________ By______________________

Chairman, Board of Supervisors

ATTEST: ______________________

Clerk

DATE: COCONINO COUNTY, ARIZONA

______________________ By______________________

Chairman, Board of Supervisors

ATTEST: ______________________

Clerk

DATE: GILA COUNTY, ARIZONA

By ______________________
Chairman, Board of Supervisors

ATTEST:

____
Clerk

DATE: GRAHAM COUNTY, ARIZONA

By ______________________
Chairman, Board of Supervisors

ATTEST:

____
Clerk

DATE: GREENLEE COUNTY, ARIZONA

By ______________________
Chairman, Board of Supervisors

ATTEST:

____
Clerk

DATE: MOHAVE COUNTY, ARIZONA

By ______________________
Chairman, Board of Supervisors

ATTEST:

____
Clerk

DATE: NAVAJO COUNTY, ARIZONA

August 10, 1982

By [illegible]
Chairman, Board of Supervisors

ATTEST:

Diane Russell Deputy
Clerk

DATE: PINAL COUNTY, ARIZONA

By ______________________
Chairman, Board of Supervisors

ATTEST:

____
Clerk

DATE:

____

SANTA CRUZ COUNTY, ARIZONA

By______________________________
Chairman, Board of Supervisors

ATTEST:

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Clerk

DATE:

____

YAVAPAI COUNTY, ARIZONA

By______________________________
Chairman, Board of Supervisors

ATTEST:

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Clerk

DATE:

____

YUMA COUNTY, ARIZONA

By______________________________
Chairman, Board of Supervisors

ATTEST:

____
Clerk

copy to Record
Minutes 8/...
8/9cc Dale Patton

AUG 1 0 '82

agenda item
10:00

RPR
RAUSCHER PIERCE REFSNES, INC.

August 4, 1982

Ms. Sharon R. Keene, Clerk
Navajo County Board of Supervisors
Governmental Complex
Holbrook, Arizona 86025

Re: Proposed Combined County Single Family Mortgage Revenue Bond Program

Dear Ms. Keene:

Pursuant to Arizona Revised Statues Sections 9-1151 the governing bodies of counties with populations not in excess of 200,000 persons may enter into a cooperative agreement to petition the Arizona Housing Finance Review Board to act as the issuer of a single family mortgage revenue bond program for low and moderate income individuals. As you may be aware, the governing bodies of Pima County/City of Tucson have recently issued their 1982 allocated portions of single family mortgage revenue bonds and Maricopa County/City of Phoenix is currently in the process of finalizing their program.

In conjunction with the proposed combined county issue, we have enclosed the final drafts of the Cooperative Agreement, the Resolution Approving the Cooperative Agreement, the Petition, the General Plan and the Standards and Requirements for the Supervisors review. To date, we have been working with the majority of the Industrial Development Authorities, and have incorporated their input and ideas in formulating these documents.

We have begun introducing this information to the governing bodies of the non-metropolitan counties in Arizona and are planning on meeting with all of the counties during the month of August. To date the Counties of Cochise and Pinal have entered into the Cooperative Agreement and, as a time saving measure, the Petition has been submitted to the State Housing Finance Review Board so that they may begin their required review. We are hopeful that all eligible counties will join into the Cooperative Agreement during the month of August.

If you have any questions or if we may provide additional information please call at 257-7770.

Sincerely,

RAUSCHER PIERCE REFSNES, INC.

William C. Davis
William C. Davis

WCD/rjm
Enclosure

Valley Bank Center, Suite 3450 · Phoenix, Arizona 85073 · (602) 257-7770
Member New York Stock Exchange, Inc.

SUGGESTED AGENDA ITEM FOR ACTION ON RESOLUTION WITH RESPECT TO THE SINGLE FAMILY MORTGAGE REVENUE BONDS FOR THE MULTI-COUNTY PROJECT.

To adopt a resolution authorizing and approving a Cooperative Agreement with one or more Arizona counties having a population not in excess of 200,000; requesting the Arizona State Housing Finance Review Board to issue bonds to finance owner-occupied single family dwelling units; approving the general plan for such bond issue and the standards and requirements applicable to the purchase of mortgage loans with the proceeds of such issue; authorizing the execution of a petition to the Arizona State Housing Finance Review Board.

SINGLE FAMILY MORTGAGE PROGRAM FOR THE COUNTIES
OF
APACHE, COCHISE, COCONINO, GILA, GRAHAM, GREENLEE, MOHAVE, NAVAJO, PINAL, SANTA CRUZ, YAVAPAI AND YUMA

PROGRAM SYNOPSIS

Issuer - The Arizona Housing Finance Review Board will act as the Issuer for the program upon petition from two or more of the Counties of Apache, Cochise, Coconino, Gila, Graham, Greenlee, Mohave, Navajo, Pinal, Santa Cruz, Yavapai and Yuma (the "Participating Counties") acting jointly under a cooperative agreement.

Geographic Area - Mortgage loans will be made on single family residences located within the geographic limits of the Participating Counties. After six months from delivery a lender may request the Issuer to allow funds originally allocated for use in one County to be used in another participating County.

Type of Property - Newly constructed, not previously occupied, and existing, previously occupied, single family residences (including manufactured housing or a unit in a condominium project or planned unit development, but excluding mobile homes) which are or will be used as the principal residence of the owner and which are not used, and are not intended to be used in a trade or business. It is anticipated that those funds not used for new construction will be used for existing housing.

The Issuer will initially give a priority in allocating funds to lenders requesting reservations of funds for new construction, then allocate the remaining funds to lenders for use on existing housing.

Arizona law provides that 10% of the funds available for mortgages, less the amount reserved for slum and blighted areas (as defined by State law), must be reserved for manufactured housing for at least 3 months.

Maximum Purchase Price - The maximum purchase price of a qualifying residence will be 90% of the average area purchase price for the type of residence being purchased (currently $68,670 for a newly constructed residence and $55,260 for an existing residence). The maximum purchase price of a qualifying residence in a targeted area (as defined by Federal Law) will be 110% of the average area purchase price for the type of residence being purchased (currently $83,930 for a newly constructed residence and $67,540 for an existing residence). These amounts are based on data published by the Federal Government and are due for revision in the near future.

Types of Loans -

Conventional - Growing Equity Mortgage Loan

The Growing Equity Mortgage Loan or GEM incorporates an accelerated payment from the homebuyer. However, instead of using the increased payments as additional interest expense on the loan, this mortgage loan uses all incremental increases in cash flow to repay the principal on the loan. This gives the homebuyer something in return for his additional cash outlay, which is a growing equity in his home.

The best way to understand a GEM is to consider an example. Assume a homebuyer purchases a $60,000 home and obtains a $59,000 GEM at a fixed rate of 12-3/4%. For the first year, principal and interest payments would be the same as a standard 30-year mortgage, $619.00 per month. At each 12 month anniversary of the loan, a fixed increase in the payment will be made. Currently, the program is expected to provide for a fixed adjustment factor of 3% per year for 10 years, beginning the second year. Thereafter all subsequent payments are held constant at that level. On the basis of a 3% annual increase in the mortgage payments during the first ten years, the GEM will fully amortize in approximately 15 years.

Pledged Account Mortgage Loans (PAM Loans)

The program may be structured to allow PAM loans if the issuer wishes. The PAM loan subsidizes a portion of the mortgage payment due under the mortgage loan during the first five years and is payable from a fund pledged by the builder, mortgagor or some other third party. The escrowed funds reduce the mortgage payments paid by the mortgagor in the first few years enabling the mortgagor to qualify on a lower monthly payment, however in no one year may the portion of the mortgagors mortgage payments increase by more than 5½%.

Eligible Borrowers - The amount of adjusted annual income specified by the Issuer, and as revised from time to time thereafter by the Issuer, provided that such amount of adjusted annual income shall not exceed 115% of the median family income of the State, as most recently determined by the Arizona State Department of Economic Security ($23,991 x 1.15 = $27,589). If a mortgage loan is for a residence located in a slum or blighted area, the eligible family income would be 2.5 times the State median ($23,991 x 2.5 = $59,977).

No mortgagor may have either had an ownership interest in a principal residence or received more than one loan from proceeds of bonds issued by one of the County IDA's within the past three years.

All borrowers will be evaluated for credit worthiness in accordance with FNMA and/or FHLMC loan origination and underwriting standards. However, the qualifying ratios for the program will be specified by the pool insurer. The maximum ratio of house payments to gross income will be approximately 33% and the maximum ratio of the sum of total fixed payments to gross income will be approximately 38%.

Assumptions - If a mortgage on a residence outside a target area is assumed, on the date of assumption, the principal residence requirement, new homeowner rule and purchase price limits must be met. The maximum purchase price will be the price for existing residences determined as of the date of assumption.

Mortgage Loan Down Payment - The minimum down payment for the loans will be five percent (5%).

Private Mortgage Insurance - Where the loan-to-value ratio for a mortgage loan exceeds 80%, the mortgagor will be required to have private mortgage insurance in an amount so that the uninsured portion of such mortgage loan does not exceed 72% of the remaining principal amount of the loan. Notwithstanding any loan-to-value ratio, mortgage loans relating to condominiums, Planned Unit Developments ("PUD") (except for a de minimis PUD), manufactured housing and housing in targeted areas and certain designated slum and blighted areas and mortgages as to which a PAM loan exists must be covered by private mortgage insurance issued by the pool insurer in an amount equal to 100% of the remaining principal amount of the loan. In addition, 100% private mortgage insurance will be required under such other circumstances as the rating services require. No loans insured by FHA or guaranteed by VA are eligible for purchase.

Prepayment Penalty - A prepayment penalty may be required on each loan through the first five years of the program, however not to exceed 1%.

Purchase Price of Loan - 100% of the unpaid principal balance remaining on the mortgage loan and accrued interest on the loan less any portion of the commitment fee not already paid in cash.

Origination Period - All mortgage loans must be committed within 11 months and originated within 15 months. The Issuer reserves the right to extend the commitment terms, however, in such event an extension fee of 2% will be charged to the seller of the residence.

Eligible Lenders - All qualified lenders (savings and loan associations, mortgage bankers and commercial banks) who have had an operating office in the State since January 1, 1981 would be invited to participate in the program. Qualified lenders shall mean those who are approved as mortgagees by FHA and VA and approved as sellers and servicers by FNMA or FHLMC.

Acceptance of Offer - Lenders' offers will be accepted by the public offering date (estimated to be in September, 1982). Lenders may begin accepting applications after the issuance of the bonds (estimated to be in October, 1982).

Commitment Fee - Commitment fee to be paid by the participating lender to the Issuer shall be in an amount not to exceed 6½% of participating lender's allocation. The initial portion of this fee in an amount not to exceed 2-3/4% is required to be paid before the public offering date. The balance of the Commitment Fee required will be set forth in the Notice of Acceptance and be due at mortgage loan closing. The fee can be recovered by the lender from the builder or seller; however it cannot be passed on to the homebuyer in the form of points. This fee may be provided through a bank letter of credit or corporate check.

Allocations - The proceeds from the sale of the bonds available to purchase qualified mortgage loans will be approximately 95% of the total issue size. This amount will be allocated by population and available for loans throughout the Counties. Under the Federal Regulations, a portion of bond proceeds must be reserved for targeted areas (as defined by Federal law) in the Counties.

In accordance with State regulations, 10% of the funds available for the purchase of mortgages, less those reserved for slum and blighted areas, must be reserved for manufactured housing for a period of at least 3 months.

The participating lenders are required to submit with their request for funds the following information:

1. The origination history of single family mortgages of the institution for the past three calendar years;

2. The servicing history for the same period;

3. Requested total amount of allocation and a breakdown of the amount for each builder and the location of the projects (lenders may submit a request without specific builders or projects, but priority will be given to those with builders designated);

4. For every builder for whom the lender intends to originate loans, the builder's construction and sales activity (number of units built, type of units and total sales price) for the past three calendar years and the average sales price for each such year must be submitted with the request. If such figures are not available, the figures for years which are available must be submitted; and

5. For a builder to receive a reservation through a lender, proof of construction financing, conditioned only to the availability of permanent financing provided by this program, must be provided.

The loans will be originated on a first come, first served basis.

Transfer of Allocation -

Lenders may transfer their allocations to other participating lenders under certain conditions stated in the Origination Agreement. No fees may be paid in connection with such transfer other than the reimbursement of the original commitment fee. Subject to review, a mortgage lender may transfer all or a part of its allocation to another participating lender or from one builder to another, without approval of the Issuer, except when such transfer would cause the funds which were reserved for a particular use in the Notice of Acceptance to be used for a different purpose.

Origination Fee -	Maximum $1\frac{1}{4}\%$ payable by borrower to be retained by participating lender.
Loan Documentation -	All loans must be documented in accordance with the program guidelines of the issuer including those requirements of the Mortgage Subsidy Bond Tax Act of 1980.
Closing Costs -	In addition to the origination fee, lenders may charge each borrower an amount equal to all customary closing costs as used by FNMA and FHLMC.
Standards -	Mortgage loans will be serviced in accordance with FNMA/FHLMC guidelines, and as supplemented by the Issuer.
Servicing Fee -	An annual fee of approximately 3/10 of 1% payable monthly by the borrower on the outstanding principal balance of the mortgage will be retained by the lender servicing the loan.
Other Insurance -	<u>Pool Insurance</u> - on the principal of and interest on the pool of mortgage loans, mortgage pool insurance issued in an amount equal to at least 10% of the original principal amount of mortgage loans purchased. This insurance will be maintained by the Trustee. <u>Special Hazard Insurance</u> - on all property secured by mortgage loans, with policy limits at least equal to 1% of the initial aggregate principal amount of mortgage loans purchased by the Trustee. This insurance will also be maintained by the Trustee and will be issued by the pool insurer. <u>Standard Hazard Insurance</u> - on the property securing each mortgage loan, standard hazard insurance against loss or damage caused by fire and other hazards, with extended coverage, in an amount at least equal to the lesser of the maximum insurable value of the property or the outstanding principal amount of the loan.

Flood Insurance - on the property securing any mortgage loan if such property is located in an area identified by the federal government as having special flood hazards, flood insurance.

Title Insurance - on each mortgage loan as a first lien on the property securing the mortgage loan, an American Land Title Association approved mortgage guaranty title insurance policy in an amount at least equal to the outstanding principal amount of the loan.

Errors and Omission Insurance and Fidelity Bonds - to be carried by the servicers of the mortgage loans and the administrator in form, substance and amount as required by FHLMC/FNMA.

Security - The bonds will be secured by the mortgage loans and the revenues derived therefrom, together with reserve funds and the interest income on funds held by the Trustee.

Debt Service Reserve - initially funded with bond proceeds in an amount which together with future deposits will equal approximately 5% of the initial principal amount of the Bonds, which reserve shall be available to pay principal of and interest on the bonds.

Mortgage Loan Reserve - initially funded with bond proceeds in an amount equal to at least 1% of the initial principal amount of the Bonds which reserve shall be available only to pay principal of and interest on the bonds, servicing fees and extraordinary expenses of the administrator, the Trustee and the bond paying agent.

July 27, 1982

NON-METROPOLITAN COUNTY
BREAKDOWN OF ANNUAL ALLOCATIONS

County	Approximate Allocation
Apache	$4,345,000
Cochise	7,142,000
Coconino	6,255,000
Gila	3,091,000
Graham	1,904,000
Greenlee	949,000
Mohave	4,656,000
Navajo	5,639,000
Pinal	7,582,000
Santa Cruz	1,706,000
Yavapai	5,678,000
Yuma	7,548,000

STATE OF ARIZONA
MULTI-COUNTY
SINGLE FAMILY MORTGAGE REVENUE BONDS
SERIES 1982

Standards and Requirements

Pursuant to Arizona Revised Statutes Section 9-1156.D, the Arizona State Housing Finance Review Board (the "Board") hereby establishes the following Standards and Requirements for the purchase of Mortgage Loans with proceeds of the Board's Multi-County Single Family Mortgage Revenue Bonds Series 1982 (the "Bonds").

1. Eligibility of Mortgage Lenders. In order to be eligible to originate mortgage loans for sale to the Board, mortgage lenders must:

(a) Be approved as mortgagees by the Federal Housing Administration ("FHA") and the Veterans Administration ("VA");

(b) Be approved as sellers and servicers of mortgage loans by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC");

(c) Have an operating office in one of the participating Counties as of January 1, 1981, said office to be operating at all times prior to the final date set for selling said loans to the Board;

(d) Be organized or existing under the laws of the State of Arizona (the "State"), another state, or the United States and be qualified to do business in the State;

(e) Agree to such terms and conditions as shall be approved by the Board pursuant to an Origination Agreement (the "Origination Agreement") among the Board, the mortgage lender and ______________________, as trustee (the "Trustee") under the Indenture among the Board and the Trustee pursuant to which the Bonds are issued (the "Indenture"), and the Servicing Agreement (the "Servicing Agreement"), among the Board, the respective mortgage lender, the Trustee and ______________________ ______________________ as Administrator, including the payment of a commitment fee, in an amount not in excess of 6% of the principal amount of Mortgage Loans to be purchased from the lender by the Trustee on behalf of the Board, payable as provided in the Origination Agreement.

2. Time Period for Disbursements. Generally, each mortgage lender shall be allowed a period not in excess of 15 months after the date of delivery of the Bonds to originate and deliver its allocation of mortgage loans. All Mortgage Loans must be committed within 11 months and originated within 15 months. The Issuer reserves the right to extend the commitment terms; however, in such event, an extension fee of not more than 2% will be charged to the seller of the residence.

3. Character of Residences. The character of the residences to be financed by mortgage loans will be one-family residences (including manufactured housing and units in condominiums or planned unit developments, but excluding mobile homes), which are or will be used as the primary residences of the owners thereof and which are not, and are not intended to be used, in whole or in part, in a trade or business or for investment or rental. The Board will give a priority in allocating the funds to mortgage lenders requesting funds for previously unoccupied residences. The maximum purchase price of any residence to be financed by mortgage loans will be 90% (110% for residences located in Targeted Areas) of the average area purchase price for the type of residence being purchased. The maximum purchase prices outside Targeted Areas are currently $68,670 for a new residence and $55,260 for an existing residence. In Targeted Areas, the maximum purchase prices are currently $83,930 for a new residence and $67,540 for an existing residence.

4. Eligibility of Persons of Low and Moderate Income. Mortgagors of mortgage loans purchased in the Program:

(a) Must have an adjusted annual income, as defined below, at the time of origination of the mortgage loan, not in excess of a maximum amount to be established from time to time by the Board, which amount shall not exceed 115% of the median family income of the State, as determined from time to time by the Arizona State Department of Economic Security or any successor thereto (currently, $23,991 x 1.15 = $27,589). If a mortgage loan is for a residence located in a designated slum or blighted area, the maximum eligible family income would be 250% of the median family income of the State (currently $23,991 x 2.5 = $59,977).

(b) Must not have received during the three-year period immediately preceding the date of origination of the mortgage loan another mortgage loan financed directly or indirectly from the proceeds of obligations issued under Chapter 11 of Title 9 of the Arizona Revised Statutes, as amended and supplemented from time to time.

(c) Must not have had an ownership interest in a principal residence of the mortgagor at any time during the three-year period ending on the date of execution of the mortgage, except that this requirement does not apply to any mortgage loan for a residence in a Targeted Area.

(d) If a mortgagor is assuming a mortgage loan previously purchased in the Program, the assuming mortgagor must meet the tests provided for in paragraphs (b) and (c) above, and the purchase price for the residence must not be in excess of the applicable maximum purchase price for previously occupied residences on the date of assumption.

As used herein, the term "adjusted annual income" means the aggregate income of a potential mortgagor, together with the aggregate incomes of all persons who intend to reside permanently with such mortgagor in the same dwelling unit, for the calendar year immediately preceding the date of calculations, including (i) gross earnings from wages, salary, commissions, bonuses or tips from all jobs, (ii) net earnings from the potential mortgagor's own (or such other persons') non-farm business, professional practice or partnership, (iii) net earnings from the potential mortgagor's own (or such other persons' own) farm, (iv) amounts received from Social Security or railroad retirement, (v) interest and dividends, (vi) veterans payments, pensions and other regular payments and (vii) public assistance or welfare payments (including aid for dependent children, old age assistance, general assistance and aid to the blind or totally disabled, but excluding separate payments for hospital or other medical care).

5. Terms and Conditions of the Mortgage Loans. Each mortgage loan:

(a) Shall have a term of not to exceed 20 years;

(b) Shall provide for a fixed annual increase in payment of 3% each year for 10 years commencing in the second year, such increase to reduce unpaid principal;

(c) Shall have an interest rate not in excess of 13-1/4% per annum, the exact rate to be determined by the Board upon sale of the Bonds;

(d) Shall be assumable, upon the payment of a reasonable assumption fee, subject to the requirement of paragraph 4(d) hereof and the provisions contained therein;

(e) May provide for prepayment penalty in an amount not in excess of one percent of the amount prepaid within five years of origination if the amount prepaid during any one loan year exceeds 20% of the outstanding balance; and

(f) May have the interest rate reduced by a buy-down by the seller, and may have an interest subsidy through a pledged account provided by the seller or the mortgagor, as provided in the Origination Agreement.

6. Insurance. The following amounts and types of insurance will be required:

(a) On the property securing each mortgage loan, standard hazard insurance or equivalent mortgagee single interest hazard insurance against loss or damage caused by fire and other hazards, with extended coverage, in an amount at least equal to the lesser of the maximum insurable value of the property or the outstanding principal amount of the mortgage loan;

(b) On the property securing any mortgage loan if such property is located in an area identified by the Federal government as having special flood hazards, flood insurance in the amount which would be required by FNMA or FHLMC;

(c) On each mortgage as a first lien on the property securing the mortgage loan, an American Land Title Association approved mortgage guaranty title insurance policy in an amount at least equal to the outstanding principal amount of the mortgage loan, subject to customary exceptions;

(d) On each mortgage loan with a loan-to-value ratio exceeding 80%, private mortgage insurance in an amount so that the portion of the mortgage loan not insured does not exceed 72% of the lesser of the purchase price or the appraised value of the Residence;

(e) On each mortgage loan, regardless of loan-to-value ratio, on a residence which is manufactured housing, is a unit in a condominium or planned unit development (except for a de minimis planned unit development), or is located in a Targeted Area or a designated Slum or Blighted Area, and on each Mortgage Loan for which a pledged account interest subsidy is provided, private mortgage insurance equal to 100% of the remaining balance of the loan.

(f) On the principal of and interest on the pool of mortgage loans, mortgage pool insurance in an amount equal to at least ten percent of the original principal amount of mortgage loans purchased, subject to a minimum amount to be negotiated with the insurer, less any claims paid thereunder;

(g) On losses resulting from certain acts or omissions by the servicers of the mortgage loans errors and omissions insurance and fidelity bonds in amounts and substance as would be required by FNMA or FHLMC; and

(h) Special hazard insurance, if necessary, with policy limits at least equal to one percent of the initial aggregate principal amount of mortgage loans purchased by the Board.

7. Repesentations and Warranties of Mortgage Lenders. In order to insure compliance with these standards and requirements, each mortgage lender shall make representations and warranties to the Board with regard to such mortgage lender's eligibility to participate, the character of property securing each mortgage loan, the eligibility of each mortgage loan for purchase by the Board, insurance coverage and such other matters deemed appropriate by the Board, which repesentations and warranties shall be included in the Origination Agreements.

8. Restrictions as to Interest Rate, Terms of Mortgage Loans and Return Realized by Mortgage Lenders. The nominal interest rate on the mortgage loans shall be determined by the Board at the time of sale of the Bonds and shall not exceed 13-1/4%. Other terms and conditions of the mortgage loan shall be as provided in paragraphs 4 and 5 hereof. At the time of origination, the originating mortgage lender may charge:

(i) An origination fee to the buyer not to exceed one and one-half percent of the principal amount of the mortgage loan;

(ii) To the buyer an amount equal to all charges actually paid or incurred by the originating mortgage lender to be further specified in the Origination Agreements, provided that in all instances such charges are customarily and usually made by such lenders in originating and processing comparable mortgage loans in the participating County where the residence is located.

Mortgage lenders shall not realize any other return on the mortgage loans except servicing fees, and other customary charges in connection with the servicing of comparably serviced loans.

9. Collateral Security. The Bonds will be special limited obligations of the Board payable from and secured by all right, title and interest of the Board in and to the Origination Agreements, the mortgage notes and related mortgages, the revenues pledged under the Indenture (including, without limitation, mortgage repayments and prepayments, interest on invested funds, liquidated damages, if any, and all other payments received with respect to a mortgage loan exclusive of escrow payments, servicing fees, commitment fees and mortgage insurance proceeds), insurance proceeds, the net proceeds of the sale of the Bonds and moneys on deposit in all funds held by the trustee pursuant to the Indenture.

10. Assignment of Mortgage Loans to the Trustee. The Board's right, title and interest in the mortgage loans purchased by the Board shall be assigned to the Trustee, which will act on behalf of the Board as provided in the resolution authorizing the Bonds and in the Indenture and shall be (i) either a bank or trust company qualified to do business in the State of Arizona, having an officially reported combined capital surplus, undivided profits and reserves of not less than $75,000,000, (ii) approved to sell mortgages to and service mortgages for FNMA or FHLMC, and (iii) approved as a mortgagee by FHA and VA.

11. Other Matters. Standards and requirements not set forth above shall be set forth in the Board's general plan for the single family mortgage purchase program, the Origination Agreement, the Bond resolution, the Board's invitation to mortgage lenders to participate in the origination of mortgage loans and the mortgage lenders' applications to participate in the origination and sale of mortgage loans as accepted by the Board, all in form and substance to be approved by the Board and its counsel.

The foregoing standards and requirements were approved by the Arizona State Housing Finance Review Board on the ______ day of ______________, 1982.

ARIZONA STATE HOUSING FINANCE REVIEW BOARD

By______________________________
Its Chairman

GENERAL PLAN

for

THE STATE OF ARIZONA
HOUSING FINANCE REVIEW BOARD
COMBINED COUNTY
Single Family Mortgage Revenue Bonds
Series 1982

The Counties which have petitioned the Arizona State Housing Finance Review Board to issue the above-captioned Bonds (collectively, the "Participating Counties"), acting in accordance with a Cooperative Agreement (the "Cooperative Agreement") entered into by the Participating Counties pursuant to Arizona Revised Statutes Sections 9-1151, and following (the "Act") submit the following General Plan to the Arizona State Housing Finance Review Board (the "Board") in connection with the requested issuance of the above-captioned bonds (the "Bonds").

EXPLANATION OF PROGRAM

The Bonds are to be issued to fund a Single Family Mortgage Purchase Program (the "Program") for persons of low and moderate income residing in the Participating Counties, as authorized under Arizona Revised Statutes Section 9-1176. The maximum income of eligible persons under the Program is to be $27,589 ($59,977 in the Slum and Blighted Areas) which is 1.15 times (2.5 times with respect to Slum and Blighted Areas) the median family income of the State as determined by the Arizona Department of Economic Security for the calendar year 1982.

The purchase price of property to be mortgaged may not exceed 90% (110% for Targeted Areas, as defined in the Mortgage Subsidy Bond Tax Act of 1980 [the "Tax Act"]) of the average area purchase price for the type of residence being purchased as specified from time to time by the United States Department of the Treasury pursuant to the Tax Act. Initially the maximum purchase price will be $68,670 for a residence which has not been previously occupied and $55,260 for a previously occupied residence ($83,930 and $67,540, respectively, for Targeted Areas). The Board will issue an Invitation for Application to Sell Mortgage Loans (the "Invitation") to all mortgage lending institutions having an operating office in any of the Participating Counties. Interested lenders will submit to the Board an Application to Sell Mortgage Loans (the "Application"), Origination Agreement and, if the Lender chooses to service the mortgage loans which it originates, a Servicing Agreement, as well as certain other documents and opinions. Together, the Board's Invitation, Application, Origination Agreement and Servicing Agreement will constitute an agreement that, upon final acceptance, will require participating mortgage lenders (the "Lenders") to originate and sell qualifying mortgage loans (the "Mortgage Loans") and thereafter, where applicable, to service such Mortgage Loans for the Board.

The Board will review or will retain a Review Agent to review the Lenders' Applications and allocate funds to the Lenders based on information provided by each Lender concerning historical mortgage loan origination and delinquency experience, financial statements and other matters, including certain priorities and special considerations for allocations established by the Board and described in the Invitation, the Application and the Origination Agreement. In particular, priority will be given for allocation of funds to be used for Mortgage Loans on previously unoccupied residences. Once allocations are determined, the Board will notify Lenders of acceptance into the Program and their allocated amount.

The Program will be administered for the Board by ______________________________ (the "Administrator") pursuant to an Administration Agreement. The Administrator will be responsible for supervising the servicing of the Mortgage Loans and will arrange for the servicing of Mortgage Loans not serviced by the originating Lender. This responsibility will, among other things, include (i) collection of information and submission of reports pertaining to all Mortgage Loan transactions, (ii) periodic review of the performance of each Lender, (iii) review of all Lenders' delinquency and foreclosure reports and (iv) assumption of or arranging for an alternative servicer for the servicing of Mortgage Loans of any Lender that is terminated for failure to properly service Mortgage Loans under the terms and conditions of the Origination Agreement.

The Administrator will also be responsible for supervising the origination of Mortgage Loans, including the review of Mortgage Loan documents for compliance with the terms and conditions of the Origination Agreement prior to purchase by the Trustee. ______________________________ will, in its capacity as Review Agent under a Mortgage Loan Review Agreement (the "Review Agreement"), review information concerning the Mortgage Loans for compliance with the requirements of the Tax Act.

A Preliminary Official Statement will be prepared describing the Bonds, the Program and related matters for use by the Board's underwriters, Rauscher Pierce Refsnes, Inc., and The Valley National Bank of Arizona (collectively, the "Underwriters") in marketing the Bonds. The Board will adopt resolutions and enter into a Trust Indenture (the "Indenture") which resolutions and Indenture will (i) authorize the issuance of the Bonds, the execution of the Origination Agreement, Administration Agreement and Servicing Agreement and the sale of the Bonds to the Underwriters and (ii) appoint ____________________ ____________________, as bond trustee (the "Trustee").

The Board will notify the Attorney General of the State of Arizona pursuant to Arizona Revised Statutes Section 9-1171.F. of its intention to issue the Bonds. If the Board receives an opinion issued by the Attorney General stating that the Program does not come within the purview of the Board's statutory powers, the Board will terminate the Program and no Bonds will be issued.

The Counties have chosen Gust, Rosenfeld, Divelbess & Henderson, Phoenix, Arizona, to act as Bond Counsel. The Underwriters have retained as legal counsel Squire, Sanders & Dempsey of Phoenix, Arizona.

The following paragraphs discuss the specific matters required by Arizona Revised Statutes Section 9-1174.B. to be described in the General Plan. Statutory references are to particular provisions of such Section.

1. <u>The Amount of the Proposed Bonds</u>: Section 9-1174.B.1. The proposed Bond issue will be in an amount not to exceed $56,500,000, or such lesser amount as is dictated by federal and Arizona law. Of that amount approximately $51,500,000 will be available to purchase Mortgage Loans. The final issue size will be determined by the Board in consultation with the Underwriters after receipt of firm commitments submitted by Lenders pursuant to their respective Applications.

2. <u>The Maximum Term of the Bonds</u>: Section 9-1174.B.2. The maximum term of the Bonds will be 20 years.

3. <u>The Maximum Interest Rate on the Bonds</u>: Section 9-1174.B.3. The maximum average coupon rate on the Bonds is not expected to exceed 13-1/4% per annum. The Board does not intend to proceed with the issuance of the Bonds unless, in the judgment of the Board, the Bonds can be underwritten, on a basis consistent with prevailing standards of tax-exempt housing finance, at a net interest cost (taking into consideration costs of issuance, underwriter compensation and additional discounts, if any, on the Bonds) that will permit the Mortgage Loans to be originated at an interest rate not in excess of 13-1/4% per annum, and purchased by the Board on the terms and at the prices referred to in paragraph 5 below.

4. <u>The Need for the Bond Issue</u>: Section 9-1174.B.4. Within the Participating Counties there is a critical shortage of housing and mortgage credit for housing within the financial means of persons and families of low and moderate income; this shortage constitutes a threat to the health, safety and welfare of all residents of the Participating Counties, contributes to the growth of slum and blighted areas and inhibits the sound economic growth of the Participating Counties; this shortage deprives the Participating Counties of an adequate tax base, results in excessive unemployment and depressed economic conditions and causes the Participating Counties and the State of Arizona to make excessive expenditures for crime prevention and control, public health, welfare and safety and other public services; and this shortage of housing and mortgage credit cannot be relieved except through the encouragement of investment and lending by private enterprise and the stimulation of housing construction for such persons and families through the use of financing as described herein.

5. <u>The Terms and Conditions for Originating or Purchasing Mortgage Loans</u>: Section 9-1174.B.5. Mortgage Loans will be originated by the Lenders and purchased by the Trustee on behalf of the Board in accordance with the Origination Agreements. Pursuant to Arizona Revised Statutes Section 9-1156.D., the Board will adopt certain Standards and Requirements (submitted by the Participating Counties) outlining the principal criteria for the mortgage transactions contemplated by the Program.

(a) In order to qualify for the Program, a Lender must be a bank, bank and trust company, mortgage company, mortgage banker, national banking association, savings bank, savings and loan association, building and loan association or any other financial institution which is qualified to do business in the State of Arizona, and has operated a business location within the State since January 1, 1981, which services loans made within the Participating Counties, is currently approved as an FHA and VA mortgagee and is currently approved as a Federal National Mortgage Association ("FNMA") or Federal Home Loan Mortgage Corporation ("FHLMC") seller and servicer.

(b) Each Mortgage Loan must be originated in conformity with the current seller and servicer guidelines of FHLMC or FNMA, except to the extent modified by the pool insurer. The mortgage instrument must create a first lien on a residence, subject to permitted encumbrances, and be made substantially in accordance with FNMA or FHLMC underwriting standards, except to the extent modified by the pool insurer.

(c) Each Mortgage Loan shall provide for incremental increases in monthly payments by the mortgagor at each 12 month anniversary of the Mortgage Loan for 10 years. The incremental increases will be used to repay principal on the Mortgage Loan. The Program is expected to provide for incremental increases of 3% per year. Lenders and sellers of residences may be permitted to buy-down the interest rate on Mortgage Loans, and sellers of residences and mortgagors may be permitted to provide for interest subsidies on Mortgage Loans by means of a pledged account, as provided in the Origination Agreement.

(d) All statements prepared or transmitted with respect to any Mortgage Loan must comply with the federal Real Estate Settlement Procedures Act, Fair Credit Reporting Act, the Truth-in-Lending Act and Consumer Credit Protection Act and any similar applicable law.

(e) Lenders must make commitments to mortgagors within 11 months and originate and deliver Mortgage Loans to the Trustee within 15 months after the date of delivery of the Bonds. The Board may allow Mortgage Loans to be originated and delivered for an additional period, if within the 15 month period the Lender has made a loan commitment to a mortgagor and paid any additional commitment fee required by the Board.

(f) Each Mortgage Loan must be approved by the issuer of the mortgage pool insurance policy described in paragraph 8(a) below for coverage thereunder and by the Administrator and Review Agent for compliance with Program requirements prior to purchase by the Board.

(g) In connection with the delivery of Mortgage Loans for purchase by the Trustee on behalf of the Board, each Lender is required to make certain warranties and representations with respect to the eligibility of the residence and the mortgagor under the Program requirements, the due recording and terms of the mortgage or deed of trust securing the Mortgage Loan, the applicability of certain insurance described in paragraph 8 below, the current status of and title to the Mortgage Loan and other warranties and representations customarily made in privately funded mortgage banking transactions.

(h) The purchase price for Mortgage Loans accepted by the Board is described in paragraph 7(a) below.

(i) If any of the warranties or representations described in subparagraph (g) above is found to have been breached or to be incorrect with respect to a Mortgage Loan, or if any of the executed original documents evidencing a Mortgage

Loan is found to be defective or deficient and such defect or deficiency materially impairs the security or value of any Mortgage Loan and is not cured, the Trustee is authorized to require the originating Lender to repurchase the Mortgage Loan.

(j) The mortgagors under a Mortgage Loan must make a down payment, as an equity contribution or pledged account interest subsidy or a combination of both, of at least 5% of the purchase price of the residence.

6. <u>The Area in Which the Single Family Dwelling Units to Be Financed May Be Located</u>: Section 9-1174.B.6. The general location of the dwelling units will be throughout the Participating Counties with precise locations to be determined by the qualified home buyers who apply for and receive approval of financing of their home mortgages with Bond proceeds. The initial allocations to the various Counties shall be as set forth on Exhibit ____ hereto. After the sixth month following delivery of the Bonds, a Lender may request the Board to allow funds reserved for one Participating County to be used in one, some or all other Participating Counties. As required by the Tax Act, the lesser of (i) 20% of lendable proceeds of the issue or (ii) 40% of the yearly average of one-family, owner-occupied mortgage loans in the Targeted Area during the preceding three calendar years, must be reserved for Targeted Areas for 12 months. As required by Section 9-1156.D.11(b) of the Act, 10% of the funds available for Mortgage Loans must be reserved for manufactured housing for three months.

The residences to be financed with the proceeds of the Bonds shall include real property and improvements thereon which are single family detached or attached structures intended for residential housing for one family (including manufactured housing and units of condominiums and planned unit developments, but excluding mobile homes) and which are occupied or intended to be occupied as the primary residence of the mortgagor, and title to which is held by the mortgagor, and which are not, and are not intended to be, used in whole or in part in a trade or business or for investment or rental.

7. <u>The Proposed Fees, Charges and Expenditures To be Paid for Originators, Servicers, Trustee, Custodians, Mortgage Administrators and Others</u>: Section 9-1174.B.7. The following fees, charges and expenditures are proposed:

(a) Originators: Each Lender is required to pay a commitment fee in an amount not to exceed 6% of the principal amount of mortgage loans which it has committed to deliver. A portion of this fee, expected to be 2-3/4% of the amount committed for, is required to be paid upon receipt of the Lender's allocation. The balance applicable to each Mortgage Loan is due when the Mortgage Loan is purchased. Each Lender will be entitled to charge the mortgagor an origination fee of not to exceed 1-1/2% of the principal amount of the Mortgage Loan and may require reimbursement of certain out-of-pocket expenses.

Each Lender may recover its commitment fee from builders and developers or other sellers but may not pass it on to the mortgagor in the form of points.

Mortgage Loans will be purchased at a purchase price of 100% of the original principal amount thereof less the commitment fee balance due and, if applicable, certain other adjustments including any amount to be used to buy-down the interest rate on the Mortgage Loan in accordance with the Origination Agreement.

(b) Servicers: Each servicer is to retain from monthly payments of principal and interest on Mortgage Loans collected by it as servicer and remitted to the Trustee for deposit a monthly service fee in an amount not to exceed one-twelfth of .30 of 1% per annum of the outstanding principal amount of each such Mortgage Loan that is current as to principal, interest and required escrow payments.

To the extent permitted by law, the servicer is also allowed to retain interest income on moneys held by it until transferred to the Trustee. Further, in certain cases involving default under a Mortgage Loan, the servicer is entitled to reimbursement for reasonable out-of-pocket costs incurred in preserving and protecting the interests of the Board. Such reimbursement is expected to be provided primarily from insurance proceeds and like sources, but is also payable from moneys held by the Trustee that are available to it for such purposes under the Indenture, including investment earnings and monthly payments of interest on other Mortgage Loans.

(c) Trustee: The Trustee is to be paid reasonable compensation for all services rendered as Trustee and paying agent under the Indenture as well as reasonable out-of-pocket expenses. Compensation will be paid from bond proceeds and from moneys available for such purposes under the Indenture, including investment earnings and monthly payments of interest.

(d) Costs of Issuance: The costs of issuance for the Program are estimated to be not in excess of $__________. These costs include, among others, fees of bond counsel, Underwriters' counsel and Trustee's counsel, other counsel fees, official statement printing and mailing, bond printing, accounting, bond ratings, insurance premiums, cash flow and yield verification, feasibility study, and closing costs.

(e) Compensation of Underwriters: The Board has entered into an agreement with the Underwriters to design and implement the Program, including underwriting the Bond issue. The Underwriters' compensation, which will be in the form of a discount from the purchase price of the Bonds, will be established on the basis of the market on the day the Bonds are sold but is estimated not to exceed 3% of the par value of the Bonds issued.

8. <u>All Insurance Requirements with Respect to Mortgage Loans, Mortgaged Property, Mortgagors, Originators, Servicers and Trustees</u>. Section 9-1174.B.8. The following insurance will be required:

(a) With respect to Mortgage Loans:

(i) A mortgage pool insurance policy will be maintained by the Trustee, subject to a cumulative claim limitation in an amount equal to at least 10% of the original principal amount of all Mortgage Loans purchased, insuring against loss on the principal of and interest on the pool of Mortgage Loans purchased by the Board; and

(ii) Private mortgage insurance on each Mortgage Loan as to which the loan-to-value ratio exceeds 80% so that the uninsured portion does not exceed 72% of the lesser of the purchase price or appraised value of the residence. Private mortgage insurance will be required on all Mortgage Loans in an amount equal to 100% of the amount of the loan if the residence is manufactured housing, a condominium or unit in a planned unit development (except for a de minimis planned unit development), is located in a Targeted Area or a Slum and Blighted Area or an interest subsidy has been provided for the Mortgage Loan by means of a pledged account. No Mortgage Loans insured by FHA or guaranteed by VA are eligible for purchase under the Program.

(b) With respect to the mortgaged property:

(i) Standard hazard insurance, to be maintained by the mortgagor, or equivalent mortgagee single interest hazard insurance, against loss or damage by fire or other hazards with extended coverage in an amount at least equal to the lesser of the maximum insurable value of the property or the outstanding principal amount of the Mortgage Loan;

(ii) A special hazard insurance policy, if necessary, will be maintained by the Trustee, insuring against certain risks not covered by normal hazard insurance and against losses resulting from the application of a co-insurance clause in the amount equal to at least 1% of the aggregate principal amount of all Mortgage Loans purchased by the Board;

(iii) If the property is located in an area identified by the Federal government as having special flood hazards, a flood insurance policy, to be maintained by the mortgagor, in the amount which would be required by FNMA or FHLMC; and

(iv) An American Land Title Association approved mortgage guaranty title insurance policy, to be paid for by the mortgagor, in an amount at least equal to the outstanding principal amount of the Mortgage Loan, subject to customary exceptions.

(c) With respect to the Lenders: None except as provided in subparagraph (d) below.

(d) With respect to the servicing Lenders: Errors and omissions insurance and fidelity bonds for each servicing Lender, at its expense, in substance and amounts as would be required by FHLMC or FNMA.

(e) With respect to the Trustee: None.

(f) Municipal bond insurance if required.

9. The Anticipated Date of Issuance of the Bonds. Section 9-1174.B.9. It is anticipated that the Bonds will be issued on or about ____________, 1982.

ARIZONA STATE HOUSING FINANCE REVIEW BOARD

By ________________________________
Its Chairman

Dated: ____________________________